

Message Text

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12

ACTION EB-07

INFO OCT-01 EUR-12 EA-10 ISO-00 FEA-01 AEC-07 AID-05

CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 /101 W

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R 091042Z JAN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5693

INFO USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EAL ENRG FR

SUBJECT: INCREASED FRENCH ENERGY PRICES

1. GOF HAS ANNOUNCED NEW ENERGY PRICES EFFECTIVE JANUARY

1. PRICE INCREASES, WHICH WERE HELD BY MINISTRY OF FINANCE TO LOWEST POSSIBLE LEVEL, ARE DESIGNED PRIMARILY TO ALLOW RECOVERY OF INCREASED CRUDE COSTS IN THE CASE OF PETROLEUM PRODUCTS (LAST PRICE INCREASE HAVING BEEN IN AUGUST), AND TO REDUCE FINANCIAL BURDEN ON STATE GAS AND ELECTRICITY MONOPOLIES.

2. MAJOR PETROLEUM PRODUCT PRICE INCREASE IS FOR INDUS-

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TRIAL USE HEAVY FUEL OIL, WHICH WAS INCREASED BY 11 PER-

CENT OR 35 FRANCS/TON (APPROXIMATELY \$7.50) AT REFINERY. GOVERNMENT INTENT IN LOADING PRICE INCREASE ON FUEL OIL IS TO ENCOURAGE CONSERVATION BY INDUSTRY, WHICH HAS SO FAR PROVED DISAPPOINTING (INDUSTRIAL FUEL OIL CONSUMPTION ACTUALLY ROSE IN 1974, BY AN ESTIMATED 1-2 AS OPPOSED TO ESTIMATED 6 DECREASE IN OVERAL CONSUMPTION RELATIVE TO 1972). PRICE OF DOMESTIC HEATING OIL WAS INCREASED BY APPROXIMATELY 4 PERCENT BUT NO NEW CONSUMPTION DECREASES EXPECTED FROM THIS MEASURE BEYOND THOSE ALREADY ANTICIPATED FROM FUEL ALLOCATION AND RATIONING SCHEME IN EFFECT SINCE LAST FALL. GASOLINE PRICES ALSO INCREASED BY 1.5 PERCENT, MOST OF WHICH HOWEVER IS TO GO TO RETAILERS RATHER THAN REFINERS. REFINERS WILL NOT BE SATISFIED WITH EXTENT OF PRICE INCREASES, WHICH REPRESENT LESS THAN HALF OF AMOUNT THEY HAD REQUESTED, BUT THEY UNLIKELY TO GET ANY IMMEDIATE SATISFACTION FROM GOF WHICH IS CONTINUING ITS DEFLATIONARY LINE. FULL BREAKDOWN OF NEW PETROLEUM PRODUCT PRICE STRUCTURE, TAXES, ETC, WILL BE FORWARDED IN NEXT FEW DAYS AS SOON AS RECEIVED FROM MINISTRY OF FINANCE.

3. NATURAL GAS PRICES FOR INDUSTRIAL USERS WILL INCREASE 20 PERCENT FOR INDUSTRIAL CUSTOMERS (AGAIN TO ENCOURAGE FUEL ECONOMY AND TO AVOID SHIFTS FROM FUEL OIL TO PREVIOUSLY UNDERPRICED GAS); PRICE FOR DOMESTIC CUSTOMERS WILL INCREASE ONLY 9 PERCENT. THESE PRICE INCREASES WILL ENABLE GAZ DE FRANCE TO REDUCE ITS EXPECTED 1975 DEFICIT AND TO BID SOMEWHAT HIGHER FOR FUTURE IMPORTED LNG SUPPLIES; THEY WILL ALSO IMPROVE FINANCIAL POSITION OF STATE-OWNED ELF GROUP WHICH PRODUCES MOST OF FRANCE'S DOMESTIC GAS.

4. ELECTRICITY PRICES ALSO INCREASED MOST HEAVILY FOR LARGE SCALE USERS. HIGH-TENSION RATES INCREASED BY 19 PERCENT, WHILE MEDIUM AND LOW TENSION RATES INCREASED BY 12 AND 4 PERCENT RESPECTIVELY. INCREASES WILL ALLOW ELECTRICITE DE FRANCE TO RECOUP INCREASED FUEL COSTS, AS WELL AS IMPROVE ITS WEAK FINANCIAL POSITION (PREVIOUSLY ESTIMATED DEFICIT OF 3 BILLION FRANCS MAY BE REDUCED TO 1 BILLION BY THIS MEASURE).

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